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STATEMENT TO THE LEGISLATURE

BY

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TREASURER OF ONTARIO AND MINISTER OF ECONOMICS

ON

ECONOMIC UPDATE

MARCH 18, 1991



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Mr. Speaker, I would like to give the House an update on recent developments in the economy and share Treasury's current outlook as we prepare for the spring Budget.

Since I last reported to you in early December, economic conditions in Ontario have deteriorated. At the time I indicated that, despite the various uncertainties involved, we anticipated modest positive growth in 1991.

A number of significant developments have occurred since then which make the outlook clearer, if not brighter.

Traditionally, Treasury would issue its next economic forecast revisions with the Budget. However, in light of the unemployment figures released earlier this month, I felt it was important to share with this Legislature the unprecedented effects this recession has had on our province.

The Statistics Canada employment figures released on March 8 show that Ontario has suffered the worst job losses since World War II. Mr. Speaker, 196,000 jobs have been eliminated in this province over the last four months. The unemployment rate — which was already at a disturbingly high 7.2 per cent — has now soared to 9.5 per cent.

The economic effects are serious and the human costs are enormous.

We have heard from many groups on the continuing and deepening recession both at the Standing Committee on Economic and Financial Affairs and in pre-Budget consultations. In addition, the U.S. recession has deepened, and Canada's federal budget has failed to provide support for the economies of Canada and Ontario and has instead aggravated the downturn.

Mr. Speaker, in the final quarter of 1990, the Canadian economy recorded its sharpest quarterly decline since the first quarter of 1982 and early indications are that the current quarter may be worse. With its large manufacturing base, Ontario's economy has been hit even harder.

There is no question that the recession will be much deeper than expected last fall. Real output is expected to decline by more than 3.0 per cent in 1991. The unemployment rate is expected to rise above 10 per cent in the coming months. Moreover, the recovery is likely to be weaker than in the mid-1980s.

In terms of impact on employment, this recession now rivals the 1981-1982 recession as the most severe downturn in the post-World War II period. Over the past 12 months, employment in Ontario has declined by 260,000 jobs, eclipsing the 223,000 jobs lost in 1981-1982.

The deep and long recession we now expect is due largely to the restrictive monetary and budget policies of the federal government. While interest rates have fallen, they remain excessively high relative to U.S. rates. The resulting over-valued dollar, combined with the Free Trade Agreement, is producing severe dislocation in Canada's industrial sector.

-- We are experiencing not only the effects of a serious cyclical downturn, but long-lasting structural changes that are disrupting the lives of hundreds of thousands of workers and will impede the pace of our recovery. A fundamental difference during this recession is the higher proportion of workers affected by permanent plant closures rather than temporary lay-offs. This is a particular concern because there will not be jobs for these workers to return to once the recession passes.

Unlike Ottawa, Ontario has taken action to counter the recession. We do not pretend that any government can offset the full impact of such a serious downturn. But where Ottawa has capped its support to social assistance programs, we have filled in the gap and committed the funds needed to keep this vital support flowing.

And our anti-recession plan is providing results. In my December Economic Statement, I announced details of the Province's \$700 million anti-recession program. I am pleased to report that as of today, more than 1,300 projects have received approval to proceed under the program, and that more than \$478 million has been committed by 19 ministries. More announcements will be made soon, completing the program's \$700-million commitment.

School boards, municipalities and other local agencies such as hospitals are sharing in the cost of projects. As a result, spending is expected to reach a combined total of approximately \$940 million when the full program has been implemented.

With the impact of the recession, pressure continues on our budgetary position this year. As a result of continued revenue weakness and higher recession-related costs, I now expect the deficit for this fiscal year to be about \$3 billion.

There is some good news, however. Despite the economy's poor current performance, some of the conditions for a recovery are beginning to emerge: interest rates have come down, the stock market has strengthened and the housing market appears to have stabilized. However, we do not expect this recovery to take hold until the summer at the earliest.

I want to assure the Legislature that, as the economy begins its recovery — however slowly — the Government will be addressing both the deficit and the challenges of these new structural changes in our economy.

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